

## Open Items Before the Dirigo BRC

1. Potential recommendation regarding adoption of employer and individual mandates in some form (see attached draft proposal and background material)
2. Potential recommendation regarding reform of the individual market in Maine (see attached draft proposal and background material)
3. Three initiatives endorsed during a preliminary vote on November 29<sup>th</sup> (as reflected in the minutes), but mistakenly not brought up for a final confirming vote on December 11<sup>th</sup>
  - the program should examine strategies to maximize federal Medicaid matching funds, such as using Medicaid funds to pay for employer sponsored insurance, and finding better ways to inform members of potential Medicaid eligibility.
  - the program should set the required employer contribution at 50%, as opposed to the current 60%.
  - the program should explore and price a reinsurance approach to providing subsidies in order to decrease premiums.
  - regarding making health care coverage more affordable overall: modify rule 850 to allow insurers to design plans in such a way as to increase incentives for use of high quality providers.
4. Recommendation on a mechanism to implement the recovery of bad debt and charity care already endorsed by the Commission. The Commission voted to capture and redirect bad debt and charity care funding (equaling \$5 – 8 million). There are two ways to implement this recovery:
  - a. Continue the current SOP process including an assessment on licensed insurers and TPAs, or
  - b.** Institute an assessment of 0.20% to 0.32% of hospital net operating revenue to generate \$5 – 8 million which could be reflected in charges to insurers and other payers, including out of state self-administered firms.
5. Approval of the draft Final Report (attached)

## **Final Report of Blue Ribbon Commission on Dirigo Health**

### **1. Charge to the Commission**

The Blue Ribbon Commission on Dirigo Health was created by an Executive Order issued by Governor Baldacci on May 24, 2006 (Appendix 1). The duties of the Commission were the following:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.
- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

### **2. Membership of the Commission**

The Commission was comprised of twenty members, representing a broad spectrum of interests and perspectives:

**Dr. Sandra Featherman**, former President, University of New England, Chair

**David Brenerman**, Assistant Vice President of Government & Public Affairs, UnumProvident Corporation, Portland

**Joe Ditre**, Executive Director, Consumers for Affordable Health Care, Augusta

**Joan Donahue**, owner, Hummingbird Home Care, Warren

**Carol Epstein**, owner, Epstein Commercial Real Estate, Bangor

**Kevin Gildart**, Vice President, Bath Iron Works, Bath

**Tammy Greateon**, Director, Maine People's Alliance, Portland

**Merton Henry**, Attorney, Jensen, Baird, Gardner and Henry, Portland

**Mike Keenan**, President, Local S6, Bath

**Dr. Robert McAfee**, Chairman, Dirigo Health Board of Directors, Portland

**Steven Michaud**, President, Maine Hospital Association, Augusta

**Chip Morrison**, President, Androscoggin County Chamber of Commerce, Lewiston and member, Advisory Council, Maine Quality Forum

**Katherine Pelletreau**, Executive Director, Maine Association of Health Plans, Yarmouth

**Ed Pineau**, President, Pineau Policy Associates, Inc., Manchester

**Keith Small**, Director, Down East Business Alliance, Milbridge

**Gordon Smith**, Executive Vice President, Maine Medical Association, Manchester

**Dr. Peter Toussaint**, physician, New Canada

**Barbara Trafton**, realtor, Keller Williams Realty, Auburn

**Mary Anne Turowski**, SEIU Field Representative, Maine State Employees Association, Augusta

**Trish Riley**, Director, Governor's Office of Health Policy and Finance, Augusta, ex officio

### 3. Meetings and Process

The Commission met nine times in total over a period of five months. In its initial meeting, on August 9, 2006, the Commission agreed on a set of operating procedures to be followed throughout the Commission's tenure. All meetings were open to the public.

For each meeting, an agenda was prepared and transmitted to Commission members, along with draft minutes from prior meetings and other materials for review. Minutes for the prior meeting were reviewed and approved at each meeting. During the meetings, presentations were made to the Commission on a variety of topics to provide them with background information for their discussions. Individuals assembling and presenting information to the Commission included:

- Karynlee Harrington Executive Director of the Dirigo Health Agency
- Beth Kilbreth, Kimberly Fox and Gino Nalli from the Institute for Health Policy, Muskie Institute of Public Service, University of Southern Maine
- Cindy Mann, Georgetown University
- Steven Tringale and Karen Quigley from Hinckley, Allen and Tringale
- Frank Johnson, Director of the State Employees Health Plan
- Dennis Shubert, Director of the Maine Quality Forum

The staff also responded to requests for clarification or additional information requested by Commission members.

A survey was sent to legislative leaders and members of relevant Committees. A summary of the responses to this survey was prepared and reviewed with the Commission. A similar survey was conducted among the Commission members themselves.

Finally, several members of the Commission circulated proposals to the Commission for their review.

After reviewing and discussing the information provided, the Commission considered a series of options regarding target populations for the DirigoChoice program, design and management of the DirigoChoice program, alternative financing sources for the DirigoChoice program, initiatives to make health care coverage more affordable overall, and reform of the individual insurance market in Maine. The Commission voted a series of recommendations based on their consideration of those options.

When voting occurred, standard Rules of Order were followed. Based on the Commission's agreement regarding operating procedures, the Commission strove to achieve consensus whenever possible.

#### 4. Final Recommendations

The Commission voted to endorse initiatives in a number of areas:

- Regarding the target populations for the DirigoChoice program, the Commission voted to endorse the following:
  - the highest priority should be the uninsured and under-insured under 300% FPL;
  - part time and seasonally employed adults should be a target;
  - Dirigo's definition of a part time workers should, consistent with the state's insurance law, allow employers to offer coverage to employees that work ten or more hours per week; and
  - Adult individuals, sole proprietors, and employees of small businesses are eligible for DirigoChoice subsidy, however marketing should focus on sole proprietors and small businesses.
- Regarding the design and management of the DirigoChoice product, the Commission voted to endorse the following:
  - the program should consider bidding pharmacy coverage separately from the health benefit and should explore purchasing prescription drugs coverage through the multi-state purchasing pool.
  - DirigoChoice should have an option to self-insure, as long as the program maintains a "level playing field" with other small group plans in terms of benefit mandates and legislative oversight.
  - the program should make increased use of focused chronic disease management, with an understanding that savings will not accrue until after 2007.

Items for Reconsideration not yet endorsed by the Commission:

- the program should examine strategies to maximize federal Medicaid matching funds, such as using Medicaid funds to pay for employer sponsored insurance, and finding better ways to inform members of potential Medicaid eligibility.\*
  - the program should set the required employer contribution at 50%, as opposed to the current 60%.\*
  - the program should explore and price a reinsurance approach to providing subsidies in order to decrease premiums. \*
- Regarding alternate financing sources for the DirigoChoice program, the Commission endorsed funding the program through earmarked taxes on behaviors and products that have a negative influence on health:
    - increased taxes on tobacco products, including smokeless tobacco, specifically with a \$.50 increase in taxes on each pack of cigarettes (at approximately \$38 million)
    - a snack tax (equaling approximately \$15-16 million)
    - a tax on bottled soft drinks and syrups (equaling approximately \$12 million)
    - a tax on beer and wine (\$2.4 million)
- and by the following initiative:
- capturing and redirecting bad debt and charity care funding (equaling \$5-8 million) \*\*

- Regarding making health care coverage more affordable overall, the Commission endorsed the following initiatives:
  - increase transparency of insurance rates by building publicly available data sets that allow consumers and employers to review and compare both provider and insurer administrative costs and margins.
  - allow sole proprietors to purchase coverage in the small group market
  - require insurers to cover dependents on parents' policy to age 30
  - create options to allow non-subsidized individuals and employees to purchase health care coverage using pre-tax dollars
  - require insurers to give premium discounts for worksite wellness programs and non-smokers

Item for Reconsideration not yet endorsed by the Commission:

- modify Rule 850 to allow insurers to design plans in such a way as to increase incentives for use of high quality providers.\*

\* requires final vote

\*\* requires final vote on mechanism to implement

## **Appendix 1**

### **AN ORDER REGARDING DIRIGO HEALTH REFORM**

WHEREAS, Dirigo Health Reform promotes the efforts of the State of Maine to achieve universal health care coverage, improving the affordability and accessibility of all Maine people; and

WHEREAS, health care is a matter of fairness; quality health care must be available to everyone in Maine; and

WHEREAS, DirigoChoice, the subsidized insurance product, is an essential element that is working for Maine families and small businesses; and

WHEREAS, Dirigo Health Reform is working for Maine families, achieving \$43.7 million in savings in the first year of DirigoChoice and having covered more than 16,000 people in the first 15 months; and

WHEREAS, it is necessary to continue the promise of DirigoChoice in achieving these goals; and

WHEREAS, we must continue to expand Dirigo so that more Maine working families have health insurance coverage

NOW, THEREFORE, I, John E. Baldacci, Governor of the state of Maine, by the authority vested in me, do hereby order the creation of the Blue Ribbon Commission on Dirigo Health:

## **Purpose**

The Blue Ribbon Commission on Dirigo Health will make recommendations with respect to long-term funding and cost containment methods to continue the efforts of Dirigo Health in increasing the affordability, accessibility and quality of health care for the people of Maine.

## **II. Duties**

The Blue Ribbon Commission on Dirigo Health shall undertake the following duties:

Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.

Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

## **III. Responsibilities**

The Blue Ribbon Commission on Dirigo Health shall submit a report with recommendations to the Governor by December 15, 2006.

## **IV. Membership**

The Blue Ribbon Commission on Dirigo Health shall consist of no more than fifteen (15) members. The Governor shall appoint the members by June 15, 2006. Members shall include representatives of the Legislature, consumers, labor, business, providers, insurers, Dirigo Health Agency and enrolled businesses and the Governor's Office of Health Policy and Finance.

## **Effective Date**

The effective date of this Executive Order is May 24, 2006.

John E. Baldacci, Governor